

REVISITING INDONESIA'S ECONOMIC DIPLOMACY IN THE AGE OF DISRUPTION: TOWARDS DIGITAL ECONOMY AND INNOVATION DIPLOMACY

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ABSTRACT

With the rise of digital technologies and innovation disrupting the economy, the global phenomenon challenged the current concept and strategies of “conventional” economic diplomacy that have increasingly gained importance in contemporary foreign policy, including Indonesia. In the meantime, the digital economy had been significantly growing as a potential driver of growth and an inclusive economy which becomes central in the Indonesian development agenda. A new or innovation-based economy such as the digital economy did not only become one of the priorities in national policies but also emerge to be an essential variable to the foreign policy of Indonesia amid diplomatic deficit. This research examines Indonesia's economic diplomacy in optimizing the potential of digital and new economic activities in facing the challenges of digital disruption. By employing integrative diplomacy concept, this research argues that Indonesia's government should pursue intermestic, comprehensive and integrative strategies in its economic diplomacy by integrating new economy through the construction of “innovation diplomacy.” This research finds that the existing economic diplomacy is strongly directed to “conventional” commercial diplomacy, while it gives insufficient space for a new economy to develop significantly, due to the absence of concept supporting the operation of innovation-focused economic diplomacy. Consequently, it is suggested that Jakarta urgently has to reconceptualize its economic diplomacy more strategically in order to achieve “diplomatic sophistication,” by way of constructing “innovation diplomacy” as a subset of economic diplomacy.

Keywords: *digital economy, disruption, diplomatic studies, economic diplomacy, Indonesia's foreign policy, innovation diplomacy*

INTRODUCTION

The growing global competition and power asymmetries between political-economic systems have characterized contemporary international relations as indicated by the 2008 global financial crisis and the shifting of power balances to East Asia and Asia-Pacific. This tendency encourages a more significant role of the state in the national economy with more effective politico-economic strategies within domestic and foreign policies to anticipate the unexpected threats of security and development. In this sense, the economy grows to be a dominant discourse in policy agenda at international, regional, and national levels. Thus, national governments are more likely to apply economic instruments to achieve foreign policies' goals. Within this context, economic diplomacy gains importance for states in pursuing economic prosperity and political stability (Okano-Heijmans, 2013).

At the same time, the nature of the economy, in general, faces fundamental disruption by digital technologies and business models. The so-called disruption,¹ a buzzword in the last decade following the digital revolution presents new challenges and opportunities for both the public and private sectors. It does not only urge business leaders to rethink more coherent and effective strategies and corporate culture for value creation, but also government to reconsider new ways and approach in regulating society, optimizing economic opportunity, and fostering innovation (Deloitte Australia, 2012). The worldwide digital disruption has rendered the role of technology and innovation as new sources of economic value, and ultimately the significance of knowledge-based economy for the prosperity of countries while generated enormous influence of multinational tech companies in the world political economy.

In this regard, the profound change in technology and power diffusion to a much more extensive range of actors has created a “diplomatic deficit” in the traditional structure of international relations. The notion challenges the “classic” governance and diplomatic system in encountering with the speed and impact of emerging technologies. The formal diplomatic system is no longer sufficient to represent the interests of the most affected players by international decision-making (Donaldson & Younane, 2018). The diplomatic deficit also challenges formal diplomacy in the field of technology, innovation, and digital economy, emerging agendas in the age of disruption.

In response to the challenge in the areas, many countries and regional organizations come up with a breakthrough in their diplomacy initiative or approach in various ways in order to confront the impact of issues revolving around technology and innovation for the sake of political, security, or economic interests. The prominent instances are shown in France's Ambassador for digital affairs (previously Ambassador for Cyber-Diplomacy and the Digital Economy), Denmark's Techplomacy (Klynge et al., 2020) and Innovation Centre Denmark, Switzerland's SWISSNEX, The UK's Science and Innovation Network (Rüffin,

¹ disruption denotes the historical period where standardized processes and hierarchical structures are transformed into flexible and networked in the economy, political institutions, and social fabric (Owen, 2015).

2018), the Dutch innovation attaché (Leijten, 2019), and the US Science and Technology Adviser (Ruffini, 2017). Likewise, some initiatives or forum have been established by major regional actors to face new technological challenges and opportunities namely the “Global Tech Panel” launched by European Union External Action and the ASEAN Ministerial Meeting on Science, Technology, and Innovation (AMMSTI) in the Committee on Science, Technology, and Innovation (COSTI). During the Singapore’s ASEAN Chairmanship 2018, ASEAN leaders set a “resilient and innovative” vision for strengthening the grouping ‘s resilient against common threats, while promoting the economies to innovate and to utilize technology toward building more dynamic and connected community through smart cities and digital economy as major priorities (ASEAN, 2018; ISEAS, 2018).

Against this background, Indonesia, as an active international and regional player, acknowledges the fundamental effects of new technologies and innovation for economy and development. Economic diplomacy becomes central in the country’s foreign policy under Joko Widodo (Jokowi) administration with the principal aim of increasing trade and investment flows for export-led growth (The Jakarta Post, 2020). At the same time, the largest Southeast Asian country set several policy actions to develop a “latent” competitive advantage in the emerging digital economy. For Jokowi, the digital economy is seen as a new force to drive the more competitive economy through boosting social welfare and inclusive economic development, stated in his speech in Indonesia Digital Economy Summit 2020 (Jakarta Globe, 2020). Indeed, these concerns can be interpreted as the improvisational and innovative response of international actor toward the uncertainty of digital disruption that challenges the existing economic development and foreign policy agendas (Margiansyah, 2020).

In this context, it is vital to examine how the government of Indonesia develops the concept and conduct of economic diplomacy amid the rising importance of technology and innovation-based economy like the digital economy. The results of this research are then useful in seeing what concepts need to be developed to support economic diplomacy to strengthen the development of the digital and innovation-based economy. Such analysis is essential to understand how Indonesia’s foreign policy deals with a diplomatic deficit and the diffusion of power for achieving economic prosperity and political stability in the age of disruption. Therefore, this research aims to analyse Indonesia’s economic diplomacy in optimizing the digital economy potential and its challenges faced by the strategy of economic diplomacy.

With this respect, it is believed that the government of Indonesia has to pursue integrative economic diplomacy by integrating new economy like the digital, technology, and innovation-based economy through the construction of “innovation diplomacy” as a subset of Indonesia’s economic diplomacy. The new diplomatic instrument is essential to engage multi-stakeholders in multidimensionally emerging issues, enable domestic-international linkages, as well as build synergies between domestic actors in creating holistic policies for economic, technology, and human resource developments. Meanwhile, innovation diplomacy is very likely to allow Indonesia to adapt with new opportunities and coping with the diplomatically disruptive challenges, which are imperative to play strategic and innovative

roles to enhance the country's contribution to stability and prosperity-creation in the international affairs.

LITERATURE REVIEW

This research constructs the framework by applying the concept of integrative diplomacy combining with economic diplomacy. This framework is important to guide the analysis contextualizing the country's experience on economic diplomacy encountering diplomatic deficit and disruption. This analysis can subsequently provide some new insights within the literature of economic diplomacy, particularly in the case of Indonesia. By emphasizing technology and innovation inclusive to economic diplomacy, this research is essential to contribute in enriching scientific researches about Indonesia's economic diplomacy and foreign policy amid digital disruption. It is a vital contribution, given some literature of that areas mostly focusing on the topics of values and principles (Wanto, 2016), indexation (Sabaruddin, 2018), institutional problems (Killian, 2012), the roles of sub-state (Pujayanti, 2018), and social media (Pohan et al., 2017).

In the modern era, diplomacy is commonly understood as political activities of a sovereign state to secure and promote the national interests and values in its international relations without resort an action or means of coercion, propaganda, or the law. In achieving those objectives, a state formulates a foreign policy, an extension of domestic policy process and goals, implemented using dialogue, negotiation, and representation in managing the relations with other countries or various international actors. These tasks of state-centred diplomacy are chiefly performed or coordinated by state or diplomatic actors, namely the Foreign Ministry with its diplomatic infrastructures, as gatekeepers of domestic and international policy (Berridge, 2015; White, 2001).

Meanwhile, the rapid change landscape of world politics has affected diplomacy in the 21st century. It is marked by overlapping and complicated interactions between global, regional, and national diplomatic systems. Such a diplomatic environment makes the nature of international policy issues and agendas increasingly intermestic or interconnected (Manning, 1977). It turns the patterns and characters of contemporary diplomacy as a complex milieu. This complexity is characterized by the intermingling of "old" and "new" elements determining structures and processes, the integration between agendas and arenas that were once considered as relatively separated, and increasing emerging multi-stakeholder and network participating in diplomacy beyond professional diplomats. As a result, the dramatic change of the international environment challenges policymakers and diplomatic actors to consider their roles and functions in the structure of diplomacy, a determinant factor for the capacity of the state in managing and achieving its international policies, as well as responding the external pressures from the global arena.

As long as digital disruption is a concern, there are two notable impacts brought about to the concept of diplomacy. According to Hocking and Melissen (2015), diplomacy is redefined by changing and adapting its *processes* and *structures* to the digitalization.

Diplomacy and its functions, namely negotiation, representation, and communication, has undergone the adaptation by infusing technological innovation (internet and social media platform) to diplomatic practices, which is termed as digital diplomacy/e-diplomacy/cyber diplomacy. Concurrently, the structure and machinery of diplomacy have been reconfigured by that changing processes and, in turn, has arisen question about the relevance of the foreign ministry in the policy environment, particularly its efficiency and legitimacy. The change of diplomatic structure may provide the shift of a government's perception towards external pressures and demands. This impact urges us to see the role of foreign ministry as the integral component within a broader policy network called the national diplomatic system (NDS), the toolkit for national government's interaction and capacity for the pursuit of international policy goals. The NDS encourages "domestic" ministries and agencies to involve in the formulation and implementation of specific international policy, through integrated coordination and collaboration.

Table 1 State-centred and Integrative Diplomacy Differences

	State-centred diplomacy	Integrative Diplomacy
Context and location	State as unchallenged terminal authority. Diplomacy located outside domestic arenas. Diplomatic sites primarily intergovernmental. Primary purposes of diplomacy negotiated outcomes.	Multiple spheres of authority and legitimacy in diplomacy. Diplomacy crosses domestic-international arenas. Multiple diplomatic sites and domains. Purposes of diplomacy more complex: agenda setting and managing issues through 'thought leadership' and agenda setting.
Rules and norms	Clear normative expectation of behaviour derived from sovereignty-related rules. Centrality of protocol. Immunity of diplomatic agents. Influenced by diplomatic legacy of secrecy/confidentiality.	Underdeveloped rules. Clash of sovereignty and non-sovereignty-based rules. Openness, accountability and transparency. Institutional tensions in expanded patterns of diplomatic communication. Clashes of expectations between stakeholders.
Communication patterns	Hierarchical information flows focused on governments. Relations with stakeholders defined in quasi-hierarchical terms as "outreach".	Multidirectional flows of information underpinned by media and social networking. Open and inclusive networks but which can be fluid and unstable. Public diplomacy mainstreamed into diplomatic structures and processes.
Actors and roles	Diplomats whose credentials are based on principles of	Multiple participation based on varying models involving

sovereignty. Non-state actors as consumers of diplomacy. Structures: focused on ministries of foreign affairs. Emphasis on guild-like qualities of the diplomatic profession; clearly defined roles with emphasis on the diplomat as gatekeeper between domestic and international policy environments	stakeholders whose credentials are based on interests and expertise rather than status. Non-state actors as producers of diplomacy. Structures more diffuse: more broadly constituted national diplomatic system. Diplomat as internal coordinator in expanded international policy environment and external boundary-spanner. Redefinition of roles as facilitators and entrepreneurs in complex policy environments.
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Source: Hocking et al., 2012.

As seen in Table 1, this research employs the concept of “integrative diplomacy” developed by Hocking et al. (2012) as the framework of analysis is powerfully relevant to explain diplomatic activities in the context of digital disruption. The concept is based on “a whole of government,” an approach denoting collaborative works or actions carried out by across governments ministries, agencies, and public officials for providing a shared solution and achieving a common goal towards particular issues and problems. Integrative diplomacy emphasizes the importance of effective collaboration on diplomacy by integrating various change and continuity, agendas and arenas, process and structure, and various state and non-state actors to diplomacy. Due to its contrast to state-centred diplomacy, integrative diplomacy acknowledges the diplomatic environment consisted of complex and multifaceted networks and patterns of interactions with distinctive context and location, rules and norms, communication patterns, actors, and roles as summarized in Table 1.

Technology - innovation and diplomacy are generally understood as separate issues. Since most countries currently treat innovation embedded in their economic and trade policies, technology and innovation are focused on tip market scale for improving the production and promotion of domestic technology and technologically innovative products and services, through internationalization of innovation-based economy. In that respect, using state-centred diplomacy is not enough to examine the changing nature of economic diplomacy amid a highly dynamic of global economic affairs and digital disruption, as the traditional diplomacy highly accentuates on the exclusivity of state authority, hierarchical information flows, confidentiality, and domestic-international antagonism. Therefore, this research adopts integrative diplomacy to allow the integration of technology and innovation notions into a broader discourse of economic diplomacy.

In addition to the key analytical framework, it is crucial to clarify the definition of economic diplomacy used continuously in this research to avoid conceptual confusion. Economic diplomacy is defined as a set of diplomatic activities or issues relating to a foreign economic policy aimed at obtaining economic benefits from foreign relations based on national interests (Berridge, 2015; Rana & Chatterjee, 2011; Woolcock & Bayne, 2013). It

treats the economy not only as a modality to strengthen the country's development and economic well-being but also to achieve political stability and national security. The concept of economic diplomacy must be understood comprehensively as part of a broad country strategy that integrates political, strategic, and economic interests in constructive relations with international actors. The implementation of economic diplomacy includes a continuous relationship between domestic policymaking and international negotiations, such as the establishment of a regulatory framework, norms, and procedures for the practice of market and trade activities between countries (Woolcock & Bayne, 2013).

The strategy of economic diplomacy is characterized by the use of both political and economic capacities in influencing the dynamic of international negotiations in order to enhance welfare or national political stability. At the practical level, economic diplomacy covers main issues related to trade diplomacy (negotiating economic and free trade agreements), commercial diplomacy (investment promotion, export, tourism, and business advocacy), and development cooperation (official development aid, science, and technology cooperation, technology transfer, and other technical assistance and collaboration) (Okano-Heijmans, 2016; Rana & Chatterjee, 2011).

RESEARCH METHODS

This research attempts to gain a deeper understanding of how government of Indonesia develops the concept and conduct of economic diplomacy amid the rising importance of technology and innovation-based economy. Referring to such a purpose, this research is an exploratory qualitative research based on the grounded theory method. The research design opted is not simply used to find relevant answers to the research question through analysing existing data and documents, but rather to enable the analysis applying different ideas or concepts for addressing relevant challenges to Indonesia's economic diplomacy, particularly amid disruptive technological innovation and diplomatic deficit. The grounded theory method was adopted considering its approach of systematic data collection and analysing (Glaser & Strauss, 2006) that allows flexibility on changes in research and analysis processes. Though lack of published work in international relations uses the method (Tucker, 2014), the grounded theory method enabled the author to apply existing theoretical statements and then develop it based on the result of further analysis and re-examination of the collected data.

In this research, the author himself become the instrument of qualitative data collection and data analysis for acquiring the core of study, which is the examination of the state perception of the age of disruption and its embodiment in the concept and practice of economic diplomacy. Data collection technique is mostly relied on secondary data dan academic literatures, involving official documents, research reports, scientific books, journal articles, expert opinion, and other kind of publications. Those main data sources enable the researcher to focus on undiscovered points and ideas of previous studies or international relations research on similar issue, such as economic diplomacy and technological revolution

or disruption. Furthermore, facts and finding are interpreted by exploiting inductive reasoning as data analysis technique through which research question guided examination process to focus on exploring salient factors or variables neglected by various perspectives or viewpoints in prior studies.

ANALYSIS

Digital Economy: A Catalyst of Technology and Innovation Development

Digital disruption has generated rapid development of the digital economy, which unstoppable in terms of value, market, and business in terms of value, market, and business (Britton & McGonegal, 2007). The benefits of digital economy enable to create more inclusive and sustainable prosperity through various channels, such as lowering production cost, increasing existing market efficiency, enhancing market size, creating new markets, improving quality and productivity, developing micro, small, and medium-sized enterprises (MSMEs), and promoting new opportunities to other sectors (Dahlman et al., 2016). This is the reason why the digital economy, a form of the knowledge economy, becomes a new concern of development for various countries to maximize its enormous value for innovation growth, social prosperity, and economic well-being (OECD, 2017).

The digital economy is a prominent narrative in Indonesia's development agenda and a part of the effort to shift its economic structure from resource-based economy to knowledge economy in facing global competition (Shetty et al., 2014). It is increasingly considered due to an increasing number of nationwide internet penetration where the users constitute around 171.17 million in 2018 (APJII & Polling Indonesia, 2018). The growth of e-commerce businesses and digital start-ups has provided broader market opportunities for micro, small, and medium businesses or industries through the concept of economic sharing. The great dynamism of the digital economy in Indonesia is evidenced in the report of Google & Temasek/ Bain (2019) titled e-Conomy SEA 2019. The data depicts that the size of Indonesia's internet economy in 2019 is estimated USD 40 billion in size, in which this gross merchandise value (GMV) contributed over 3 per cent to GDP in the same year. The country also becomes the fastest growing one in Southeast Asia, with an average growth of 49 per cent during the 2015-2019 period. Indonesia's digital economy has spawned the biggest local unicorns, one-billion-dollar start-up or tech companies, in the region, such as *Traveloka*, *Tokopedia*, *Go-Jek*, and *Bukalapak* (Google et al., 2019; Google & Temasek, 2018). Those unicorns potentially give Indonesia a new source to growth and investment significantly, and hence digital economy is projected to be the primary driver of economic growth in 2045 (Republika, 2019).

Acknowledging the massive potential of the digital economy for growth and prosperity has encouraged the government of Indonesia to set up a vision to be the region's largest digital economy in 2020. The government targeted e-commerce transaction USD 130 billion worth and creating 1000 technopreneurs with a business value of USD 10 billion in 2020. To achieve this goal, in 2017, Jokowi issued Presidential Regulation (*Perpres*) No. 74 /

2017 about the Road Map of the Electronic-Based National Trading System 2017-2019 (Kominfo RI, 2016; Sekretariat Kabinet RI, 2017). Although the existing policy had some obstacles (Salahuddin, 2018), it can be seen as a part of the initial effort to create a conducive ecosystem to the internet economy by opening up various access to MSMEs to the state supports.

With this respect, Jokowi's cabinet subsequently introduces the so-called Making Indonesia (MI) 4.0 to unleash digital economy potential maximally through industrial revitalization. The policy aims to invigorate the digitization of the productive sector, specifically the manufacturing industry (Ministry of Industry, 2018). The MI initiative is an important policy to reinforce the promotion of local products in e-commerce and MSM industries technology adoption, as the current state of the digital economy is predominantly occupied by information, financial, and services sectors (Google et al., 2019; Kominfo RI, 2016).

However, there are existing institutional and socioeconomic issues challenging the Indonesian digital economy. First, the road map on the digital economy has been a short-lived policy merely containing what-to-do list, instead of grand strategy, and strategic goals, systematic planning, and technical mechanism to achieve its primary purpose. As a result, the responsible government actors have different perception in policy implementation, which hence created partial understanding and fragmented targets among stakeholders (Salahuddin, 2018).

Second, the digital divide remains an underlying problem among Indonesian society to access the internet economy. The problem should not be understood beyond infrastructure issues between urban and rural areas, namely education, institutions, and digital skills. Although some nationwide infrastructure gap may be narrowed down by providing more information communication technology (ICT) facilities, the rest of the division problems remains intact. Among those are 1) income or financial status and technophobia cause a low motivation of using the internet; 2) contribution of internet users between West-East and urban-rural areas in the countries is still unequal; 3) low education level disfavours Indonesian digital skills; 4) because of low digital skills, usage of internet or digital technology produces the limited benefits of productive activities for society (APJII & Polling Indonesia, 2018; Hadi, 2018). The remaining digital divide demonstrated how digital technology development has not been able to overcome inequality that inclines to favour skilled and high-income groups, instead of unskilled and low-income workforces (Fuady, 2019).

Third, the growing cyberspace in Indonesia is vulnerable to cybercrime and cyber-attack by which Indonesia label as the world's largest source of cyberattacks, as shown by some reports. Such an analysis demonstrates how cyber legislation, cybersecurity awareness among citizens, and incomprehensive data protection law become the main factors engendered cyber vulnerabilities (Paterson, 2019). Fourth, the wave of local start-ups or tech-companies acquisition by foreign investors challenges the Indonesian effort to promote local products and exports and to empower MSMEs in its national digital economy (Kominfo RI,

2016). For instance, products sold via e-commerce in Indonesia are dominated by imported consumer goods that constitute around 90 per cent (Liputan6.com, 2019). This tendency is very likely to be a severe threat for local businesses when inflow foreign investment is characterized by market-seeking and resources-seeking investors. Hence, more proactive regulations on imports are critically required to gain a quality foreign investment in boosting the sustainable and inclusive digital economy (CNBC Indonesia, 2019).

Finally, the problem of innovation capabilities is still lagging behind major countries in Southeast Asia. The drawbacks are indicated in Global Innovation Index 2019. The report reveals that Indonesia tends to rely on market sophistication (credit, investment, trade, competition, and market scale), rather than to exploit the capacities and capabilities in strengthening its digital economic potential. The report furtherly shows that aspects of the regulatory environment, knowledge workers, knowledge creation, and knowledge diffusion of Indonesia are severely weak and inconducive (Cornell University et al., 2019).

The digital economy issues above represent a big picture of technology and innovation challenges for Indonesia in attaining a sustainable, competitive, and robust economy. In the meantime, the emerging digital economy is placed as an essential indicator to target improved value-added in the real sector, one of strategy in strengthening economic resilience and quality growth, on recently mid-term development policy 2020-2024 (Bappenas, 2019b). In general, the current innovation is poorly performed and limitedly available due to a lack of science, technology, and innovation (STI) culture, including its base and resource. The government is required to prioritize several vital factors to encourage more innovation-related activities and enabling conditions facilitating STI, knowledge creation, and knowledge diffusion. Among those essential factors are conducive R&D ecosystem, rising R&D expenditure, intellectual property right/IPR protection, financing mechanism, integrated innovation system, academia-industry linkage, local innovation involvement (Damuri et al., 2018; Margiansyah, 2017a, 2017b).

The government's policies, however, have presented inadequate efforts to overcome existing problems of national technology and innovation. The Road Map E-commerce in 2017 and Road Map for Industry 4.0 in 2018 have not concerned with important aspects regarding strong enforcement of IPR, data protection, cross-border e-commerce, recognition of digital goods and services, and incentive for MSMEs and local product. The two initiatives tend to merely focus on issues of domestic institutions and stakeholders while neglecting the role of innovative activities and international policy instruments in supporting the new economic potential.

Furthermore, those policies still adopt inward-looking strategies, as those have not recognized the importance of international cooperation and collaboration in encouraging technological upgrading and innovation capacity-building sufficiently. It is revealed by no apparent role of the Ministry of Foreign Affairs (MoFA) found within the respective official documents. Inappropriately addressing these matters is remarkably essential, taking into account that technological capacities and innovation capabilities are critical aspects for accelerating industrial revitalization, productivity, technological upgrading, and ultimately

escape middle-income trap (Damuri et al., 2018; Paus, 2017). Thus, the government needs to reconsider its policy effectiveness in developing technology and innovation beyond a business-as-usual approach.

To achieve robust innovation capabilities, I argue that Indonesia's government should pursue intermestic, comprehensive, and integrative strategies by finding a niche instrument within existing policies. This attempt can be started from an internationalization effort that refers to the extension of domestic policy on the digital economy into a broader international economic agenda. As long as internationalization is concerned, foreign policy tools should be revisited in-line with STI-oriented vision. So that, the diplomatic instrument needs to be recalibrated to disruption trends by integrating the digital economy as a new focus on existing economic diplomacy. The next section will explain further about existing economic diplomacy and its relevance to the digital economy issue, as well as its prospect to strengthen the Indonesian new economy.

Recalibrating Economic Diplomacy Towards Digital Economy

The pursuit of economic diplomacy is highly prioritized in the current foreign policy since the president took office. This is a different diplomacy's strategy from his predecessor that tends to conduct a multi-direction or total diplomacy (Parameswaran, 2014). Economic diplomacy is a focus on the foreign ministry reform agenda, one strategy of strengthening and restructuring diplomatic infrastructure, within his four foreign policy priorities² (Connelly, 2015). The emphasis on economic diplomacy as a result of Jokowi's pro-people approach in reshaping the conduct of diplomacy or known as down-to-earth diplomacy. This attempt is expected to present direct benefits of diplomacy to the interests and prosperity of the people and the state through quality growth (Kemlu RI, 2015).

By employing the approach on economic diplomacy, Jokowi has attempted to reshape the role of diplomats into salespeople and embassies into economic showrooms. The president requested all diplomats to devote around 90 per cent of a diplomatic mission to economic diplomacy. It was expected to perform a better effort in representing and protecting Indonesia's economic interests in international affairs. Hence, the president has appealed to intensify his government to exploit foreign policy as the main instrument to boost the economy beyond the MoFA. Prioritizing economic diplomacy should be understood as the strategic response to reap maximum economic gains from economic and geopolitical challenges, as well as the shift in the world's centre of economic gravity to Asia (Weatherbee, 2016).

At least, there are three implications of such pro-people diplomacy to Jokowi's vision of international affairs. Firstly, the meaning of friendship is changed in Indonesia's foreign

² Four foreign policy priorities under Jokowi administration 2014-2019 were explicitly stated in *The Nawacita*, nine priorities of Jokowi-Kalla, namely (1) the promotion of Indonesia's identity as an archipelagic state and maritime nation; (2) the enhancement of global role as middle power; (3) the expansion of Indonesia strategic engagement in Indo-Pacific; (4) the promotion of greater role, interest, and aspiration of the people in the formulation and implementation of foreign policy

relations. The countries are perceived as real friends only for those who can provide benefits for national interests, while those who cannot give many advantages are likely to be eschewed. This doctrine is in contrast to Yudhoyono's "a thousand friends, zero enemies" doctrine (The Jakarta Post, 2014; Weatherbee, 2016). Secondly, bilateralism and economic cooperation become principal focuses of Jokowi's international agenda. These tendencies have been shown by his desire to increase more bilateral strategic partnerships and his participation in economic-related forums like G20, APEC, ASEAN, and East Asia Summit. Jokowi has actively engaged in those summits due to its strategic values in bringing direct and concrete business deals for Indonesia's social and economic developments (Kemlu RI, 2015). Lastly, Jokowi tends to prioritize specific sectors in foreign policy agenda, particularly one that directly links to the people's economic welfare and has vast potential for growth. In his first term, Jokowi strongly emphasized the maritime sector as the core of his Global Maritime Fulcrum doctrine. The sector is crucial due to their economic potentials are worth USD 1.2 trillion a year and likely to create new jobs for 40 million citizens (Cabinet Secretariat, 2016b). Accordingly, these implications should be used as underlying assumptions to analyse the direction of Indonesia's foreign policy under the Jokowi office in upcoming years.

Those assumptions implied that the economic-oriented foreign policy is susceptible to a rapidly changing environment of the global economy and has to be able to readjust to it. To that ends, economic diplomacy has to discover the new market and emerging business opportunities for supporting the more significant contribution of Indonesian products and investment to economic growth. According to Jokowi, in the second term's inauguration speech, his administration would focus on economic and human development agendas, including the transformation of the economy from resources-dependent to high-value-added manufacture and modern services, which arguably based on the digital economy (Investor Daily, 2019; Kompas.com, 2019). It is in contrast to his first term's stressing the critical importance of maritime as the future for Indonesia (Cabinet Secretariat, 2014). Since the global maritime fulcrum is no longer the heart of Jokowi's foreign policy, the maritime sector as the priority sector has been replaced by emerging economic sectors deemed to have immediate impacts on growth (Tim Jokowi-Amin, 2019).

In translating the Jokowi's goals, the MoFA has renewed Indonesia's foreign policy priorities by presenting the "4+1"³ The concept for the next five years, which places economic diplomacy will be the number one priority. There are several strategic moves in improving economic diplomacy. It constitutes focuses on capitalizing domestic and traditional markets, while innovatively penetrating non-traditional markets learned from experience market expansion in Africa via Indonesia-Africa Forum 2018 and Indonesia-Africa Infrastructure 2019. Simultaneously, these efforts are reinforced by continuing existing strategies, namely the trade and investment negotiations (CEPA/FTA/PTA) and the integrated promotion of trade and investment, including boosting outbound investment. The

³ The 4+1 priorities of foreign policies consist of (1) improving the economic diplomacy (2) protection diplomacy (3) sovereignty and nationality diplomacy (4) Indonesia's role in the region and the global. The "plus" one is about the improvement of diplomacy infrastructure.

tool of diplomacy will also be optimized to protect strategic economic interests, particularly from discriminatory acts like in the case of the EU biofuel ban against Indonesia's palm oil. The preceding moves will be encouraged by the so-called economy 4.0 comprising digital industries, creative economy, and human capital to improve industrial productivities and open up lower-middle groups wider access to international markets (Kemlu RI, 2019a, 2019c).

Of six strategic moves, the last action has showcased government recognition of the importance of internationalization for new economic activities based on digital technologies and innovation. However, some important questions remain unclear; how the MoFA will perform its strategy to drive economy 4.0 in economic diplomacy agenda; what instruments will be employed to practice this action; and with what institutions or stakeholders will the MoFA cooperate or collaborate to perform in achieving this focus. As a consequence, the Indonesian government needs to develop a new instrument of economic diplomacy based on the spirit of digital transformation, which the MoFA seeks to improve within its diplomatic infrastructure (Kemlu RI, 2019a). This new instrument should be able to substantiate the digitalization of diplomacy and maximize the digital diplomacy tools in the conduct of economic diplomacy more effectively.

With this respect, prioritizing the digital economy, including technological innovation, has been an important element of domestic policies in the Jokowi's era, but increasingly became national interests in international affairs. Since the president took office, several official documents are underscoring the critical role of the digital and innovation-based economy in national development. For instance, those include two editions of Medium-Term National Development Plan 2015-2019 and 2020-2024, Vision Indonesia 2045, and Jokowi-Amin vision and mission statement for the 2019 concurrent elections (Bappenas, 2014, 2019a, 2019b; Tim Jokowi-Amin, 2019). In the context of foreign relations, the digital economy has initially been articulated at the 2016 US-ASEAN Summit (Cabinet Secretariat, 2016a) and resonated more seriously at the 2019 Osaka G-20 Summit. During the latest summit, Jokowi accentuated the digital economy and inclusiveness as the main idea voiced to address economic and social inequalities between countries. Subsequently, Indonesia offered the initiative of establishing the Inclusive Digital Economy Accelerator Hub (IDEA Hub), an international platform for curation, governance, exchange experiences, and ideas about a digital economic model that are inclusive for governments and businesses among G20 countries (Kemlu RI, 2019b).

Jokowi's articulation should be interpreted as the government's attempt to exploit the digital economy potentials at home and to maximize latent opportunities abroad through internationalization strategy. The strategy refers to the aims of inviting the active participation of the international community, developed economies, and diplomatic partners for the global digital economy development. For Jokowi, the domestic digital economy is placed as an important indicator to target improved value-added of the real sector in a strategy of strengthening economic resilience and quality growth. In this regard, bringing the digital economy in the strategic international forums implies Jokowi's a manoeuvre to make the potential sector as an emerging intermestic sector. In turn, the internationalization of the digital economy to some extent affects the future conduct of Indonesia's economic diplomacy

by which the concept is commonly understood as the use of foreign policy tools to gain economic rewards for national development.

This tendency indicates that the "4+1" formula underlining economy 4.0 and digital transformation represents the MoFA effort of recalibrating the prior focus and strategy of economic diplomacy with the Jokowi's strategic vision above. The attempt includes the digital or innovation-based economy into a framework of diplomacy. This is an important measure presented in order to improve the inward-looking policy digital economy by establishing a more holistic environment. Taking into account that kind of innovation-based economy requires an ecosystem that enables a multiagency/actors collaboration to work mutually (Perez, 2010). Therefore, the new concept of economic diplomacy should be able to formulate an instrument or a mechanism that includes stakeholders of government, business, academia, and technological innovation professionals.

However, Jakarta's concept and conduct of economic diplomacy merely focused on commercial diplomacy, emphasizing on promotional activities that project the country's economy and foreign investment portfolio (Intan, 2019). Those activities, such as the expansion of new export to non-traditional markets, improvement of foreign investment, and boosting foreign tourists, have been accentuated in the MoFA strategic plan in 2015-2019 and foreign policy priorities in 2019-2024 (Kemlu RI, 2015, 2019a). Commercial diplomacy is conceptually a subset of economic diplomacy, mainly consisting of trade, tourism, investments (TTI) promotion, and business advocacy. By focusing on commercial diplomacy as the main strategy, it displayed that Jakarta simply concerns to pursue business ends for the national development as its foreign policy goal. (Okano-Heijmans, 2011).

As a consequence of the commercial-oriented measure, some important strategies are missing in the Jakarta's economic diplomacy. Among them are regional dynamics, a holistic, unambiguous coordination mechanism, clear international economic cooperation policy (Djumala, 2015; Intan, 2019), a holistic concept, and an emerging economy in the diplomacy. Indeed, the strategies have to be supported with an intermestic approach in domestically strategic economic policies wherein the MoFA included, unlike in the earlier the Road Map of e-Commerce and Making Indonesia 4.0.

In the context of disruption, commercial diplomacy alone is insufficient to cover a multidimensional nature of the new economy like the digital economy and industries, along with their various stakeholders in the triple or quadruple helix sense. Jakarta needs to consider the digital economy problems as a part of economic diplomacy tasks. The strategy should be able to overcome critical issues such as digital divide, data protection, IPR, cyber threats, foreign investment on tech companies, and poor performance of technological and innovation capabilities through multilateral, plurilateral, and bilateral cooperation. Although the MoFA has already made a breakthrough by including the digital economy as a part of bilateral economic cooperation with Sweden in November 2019 (Kemlu RI, 2019d), Indonesia entails the more precise concept of economic diplomacy dealing with the economy 4.0 for gaining more strategic outcomes and ensuring effective conduct. That concept must be not merely pursuing business ends of the digital economy, but strategic gains for Indonesia's

human resource, technology, and innovation developments. Therefore, Indonesia's economic diplomacy is lack of capacities, and conceptual clarity in engaging with multidimensional issues and agents/stakeholder as integrative diplomacy suggested.

Therefore, I argue that Jakarta urgently has to reconceptualize its economic diplomacy more strategically in order to achieve "diplomatic sophistication." The term is defined as an awareness of current diplomatic actors to adapt and change towards new opportunities and challenges beyond traditional areas or dimensions by developing novel capacities or using existing efforts as ways of maximizing possible advantages. It is a very important behaviour to confront with a diplomatic deficit and digital disruption. It should not merely seek a welfare-enhance effect, but rather to achieve the strategic goals of a government following the political logic for more contribution to international affairs and stability in an innovative way (Okano-Heijmans, 2011).

Constructing Innovation-focused Economic Diplomacy

The prior section demonstrated how the concept of Indonesia's economic diplomacy needs to be strategically revisited following the digital disruption. This can make the digital economy as a turning point to reconceptualize the concept. That economic diplomacy concept promptly requires the focus on technology and innovation upgrading, which subsequently integrates those capabilities with the productive sector (Elisabeth et al., 2016). Revisiting economic diplomacy can be understood as an effort of using foreign policy for better optimizing opportunities of rapid technological change and disruptive economy for the country's development, on the one hand, strengthening the capacity building of human resources through outward-looking technology and innovation development on the other.

To that ends, this article suggests Indonesia develops what is called "innovation diplomacy"⁴ As an integral part of economic diplomacy, despite no agreed definition and recognized as under construction concept in scientific literature, the innovation diplomacy is mostly referred to the use of a full spectrum of foreign policy tools to achieve national innovation interests in the international political arena, which allows a state to strategically engage in the field of international scientific exchange and transfer of technology (Carayannis & Campbell, 2011). The concept involves the use of diplomatic instruments to foster innovations ("*diplomacy for innovation*") and the use of innovation to improve the interstate relations or broader politico-strategic purposes ("*innovation for diplomacy*") built on foreign policy-innovation policy nexus. Innovation diplomacy is not merely constituted by science and technology diplomacy but also embedded in trade and foreign economic policy (Leitjen, 2017). Thus, innovation diplomacy in this study should be understood as a part of economic

⁴ innovation diplomacy theoretically encompasses various efforts of connecting between conceptual and practical realms involving different development aspects (socioeconomic, culture, technological, and institutional) through well-designed initiatives. Those efforts aim to articulate "the ideas and solutions with markets and investors markets and investors ready to appreciate them and nurture them to their full potential" (Carayannis & Campbell, 2011).

diplomacy with the focus on achieving national gains in trade, investment, technology, human capital, and innovation-based economic activities.

At the implementation level, innovation diplomacy involves a number of strategic activities and tools to obtain mutual benefits from international collaboration and economic cooperation for boosting national innovation capabilities. For instance, the government starts to promote its innovation attraction and potential to exert influence and soft power in foreign affairs through establishing a framework condition such as IPR, R&D partnership, business-academia linkage, IPR, trade conditions, information sharing in international innovation or economic partnerships. At the same time, it develops practical toolkits to encourage and enable multi-stakeholder collaboration by incentivizing collaborative R&D partnerships, providing various forms of policy dialogue, improving information and capabilities accesses, reaffirming national priorities for innovation with targeted partners, and addressing globally shared innovation challenges. Those activities and toolkits are performed by engaging several ministries and agencies (Bound, 2016).

Furthermore, innovation diplomacy bridges a wide range of players, dimensions, and interests into a larger network of innovation to internationalize domestic technology and innovation-based industries. These players include not only foreign and economic ministries, but also national innovation agencies and academia, industries, philanthropic, and influential non-governmental organizations, civil society, and regional and multilateral institutions (Bound, 2016; Leitjen, 2017). Therefore, innovation diplomacy aims to provide (1) the *access* of inbound capacities building on the country's technological and innovation development, (2) the *promotion* of domestic new economy products and potentials to international markets and environments, (3) the *influence* of the state in regional, inter-regional, and international relations of technology and innovation (Flink & Schreiterer, 2010).

For Indonesia, innovation diplomacy should be constructed as a subset of economic diplomacy with some additional tasks focusing on technological innovation. Simultaneously, the diplomacy initiative needs to be understood as a new form of digital diplomacy bolstering strategic foreign policy arenas that treat technology and innovation sectors as primary interlocutor, more than just digitalization of public diplomacy or diplomatic communication tools. Indeed, this concept is inspired by lessons learned from the Danish "techplomacy" initiative represented by the so-called Tech-ambassador in the heart of tech industries, Silicon Valley and Beijing (Frijs-Madsen, 2018; Klynge et al., 2020). However, the initiative should be initially mandated with a commercial goal rather than political for gaining currency in Indonesia's foreign policy, taking account of the incumbent government's strong emphasis on economic benefits. Once the conduct of innovation diplomacy is well-established, its mandate must be extended into a political one for regional and global affairs.

With this respect, the government of Indonesia is required to create several new duties and responsibilities in order to operationalize the innovation-focused economic diplomacy initiative, as listed below:

1. Indonesia needs to appoint Digital/Cyber/Tech/Innovation ambassadors or special envoys, supported by a technology or innovation division in the embassies, that is

mandated to engage with tech and innovation-based industries formally and to build a coalition among responsible governments on technological and emerging economic issues. The positions should be posted in the world's most innovative countries/cities with advanced digital technologies and innovation powerhouse.

2. The functions of the ambassador and tech/innovation division should be mainly focused on (1) the formalization of communication and dialogue with tech companies or stakeholders, (2) the collection of information and new knowledge regarding new opportunities and dynamics of technology and innovation worldwide for companies, universities, and research institutes, and policymakers at home, (3) the promotion of Indonesia's digital and technological industries to new export, market, and investment opportunities abroad, (4) the strategic communication and engagement on Indonesia's international roles in the tech sector for opportunities and challenges of technological change and digitalization bilaterally and multilaterally.
3. Indonesia's innovation centre should be established in leading innovative cities/countries for strengthening the function of the economic division. The centre is not necessarily a new entity but can be included within the Indonesian Trade Promotion Center (ITPC) network abroad.
4. Science, technology, or innovation attachés should be assigned as innovation intelligence who maps potential markets, products, sectors, competitors, investors, and consumers and seeks opportunities for potential funding, capacity building for creative and knowledge workers, learning process for domestic tech-companies and technopreneurs in leading technology and innovation centres.
5. The attaché position must be performed not limited to government officials but has to be highly capable and experienced professional experts and practitioners mastering theoretical, institutional, and technical matters of the fields for the country's economic and social development.
6. All responsible policy actors or government bodies and stakeholders have to be synergized their paradigms and be included in producing diplomacy strategies with reference to knowledge and evidence-based practice in the decision-making process.

Linking innovation diplomacy with the grand concept of economic diplomacy would enable Indonesia to facilitate multifaceted interests and the nature of economy 4.0 based on technology and innovation capabilities. Of course, its effectiveness depends on the mutual support of diplomatic infrastructures, within which tools of diplomacy can be innovatively developed in concert with digital transformation and disruption. This way could render the existing economic diplomacy, and ultimately foreign policy is adaptable and responsive to opportunities and challenges that emerged from digital disruption and geopolitical shift more appropriately. As a subsequent effort, stronger diplomatic or international linkages in tech and innovation sectors could provide the government a platform to address critical issues within the digital economy and tech sectors by way of an intermestic and integrative approach. All of such attempts are aimed to generate more effective and comprehensive measures in dealing with digital technologies and global economic challenges to Indonesia.

CONCLUSION

Based on the analysis above, the diplomatic deficit and digital disruption have created a sense of urgency for Indonesia to recalibrate its foreign policy through responsive and innovative strategies of economic diplomacy. The foreign policy has arguably been disconnected to the main goals of domestic policies related to the digital economy and another new economy like Industry 4.0 or e-commerce roadmap. In those policies, government still adopts inward-looking, incomprehensive, and fragmented strategies, while disregarding the critical importance of international cooperation and collaboration in the implementation of the “domestic” policies.

Building innovation diplomacy as a subset of economic diplomacy is can be viewed as a new way to recalibrate its foreign policy tools in facing digitally disruptive challenges. This diplomatic instrument would allow Indonesia to link strategically domestic or inward-looking policies, such as the digital economy and industry 4.0, to internationalization effort. Moreover, the new instrument is essential to engage with major non-state players from multi-level stakeholders and to deal with multidimensionally emerging issues around the international dynamic of technological change and disruptive innovation in a more strategic manner. In the meantime, innovation diplomacy would improve synergies between responsible “domestic” government actors and relevant stakeholders in consolidating common interests and aspirations in international policy and diplomacy, including bridging different paradigms and understandings. It is a compelling way to render existing diplomacy adaptable and responsive to unexpected and unprecedented challenges, and opportunities emerged from digital disruption and power balances shift phenomena.

Coping with the limited capacity of economic diplomacy and digital economic strategies that remain domestic-oriented should be focused on Indonesia's strategic response. Otherwise, the vision of Jokowi to internationalize the digital economy as a component of foreign policy and to exploit technology and innovation as latent unlimited resources for future prosperity and development faces significant obstacles. Thereby, the innovation-focused economic diplomacy would enable the government to effectively address critical issues of the digital economy and tech sectors through a more integrative approach.

Therefore, this study has brought about at least four implications to the study of Indonesia’s economic diplomacy and foreign policy in general. *First*, technology and its related phenomena should be no longer perceived as an exogenous or external factor, but as an endogenous or internal factor in reshaping the actor’s behaviours or policy preferences and determining changes and continuities in the world politics. *Second*, technology should be seen beyond technical matters but involves institutional and politico-strategic dimensions in understanding certain actions of the sovereign states or actors. *Third*, economic diplomacy has to be understood as political action consisting of power-play and business ends, as long as national interests in economic and technological-related issues is a concern. A similar study on this topic inclines to conceive the concept of economic diplomacy as a non-political strategy or action, which treats it as a mere concern of economist, trade practitioners/policymakers, or business professionals. *Fourth*, analyses on the conduct of

economic diplomacy must not be understood as an exclusive issue of the state or foreign ministry, but rather a strategic issue comprising multi-stakeholder, which links state and non-state actors in formulation and implementation of economic diplomacy strategy. *Fifth*, economic diplomacy and foreign policy should not only explore technology-related issues with state-centric approach exclusively focusing on state self-interests but rather employing various approaches emphasizing on state behaviours as an integral part of collective interests and common goods shared by broader international communities.

In context of digital disruption, the underlying reason why this article encouraging non-state centric approaches to be applied in the study of economic diplomacy and foreign policy is because the consequences of technological changes are relatively different and varies for some countries in spatio-temporal context and experience. They are impossible and undesirable things to do if many scholars use the state-centric paradigm to gains analytical explanation on the cause-effects of technological transformation for the international actors or states in a more holistic and innovative manner.

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